



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 4/7/2006

GAIN Report Number: MX6027

Mexico

Agricultural Situation

Weekly Highlights and Hot Bites #14

2006

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Report Highlights:

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- TRADE BETWEEN MEXICO AND CANADA INCREASES
- SINALOA CORN FARMERS DEMAND 2,000 PESOS PER METRIC TON
- MEXICO WILL DEFEND THE ALL AMERICAN CANAL CASE
- MEXICO TO INCREASE POWDERED MILK PRODUCTION
- LICONSA'S PURCHASES REACH RECORD LEVELS
- NOTICEABLE INCREASE IN DEMAND OF NUTRITIONAL FOODS
- FOOD SAFETY, A KEY ELEMENT IN THE TRI-LATERAL AGENDA

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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MEXICO'S LOWER HOUSE PASSES NEW FARM BILL

As mandated by the National Agreement on Agriculture (ANC), signed on April 23, 2003, Mexico's Lower House approved the Food and Nutritional Sovereignty and Security Planning Law (Mexico's farm bill equivalent) on Thursday March 30, 2006. The bill was passed with a large majority and was sent to the Senate for approval. According to Victor Suarez, a PRD lawmaker who presented the bill to the floor, the main objective of this measure is to define a national planning strategy for agriculture over the next 24 years. He stated that it includes budget provisions for the next six years, which can be updated every three years. "The bill gives certainty to agricultural activity in Mexico, which faces a lack of continuity in public policies, while in other countries there are multi-annual budgets." The bill extends the PROCAMPO and Objective Income (i.e. target price) programs until 2018. These programs were previously scheduled to end in 2007. PROCAMPO provides direct cash payments to producers at planting time on a per hectare basis, and is the most important support program in Mexico. PROCAMPO provides about 15 billion pesos (\$1.5 billion) in assistance to nearly 3 million producers covering 14 million ha. The Objective Income program provides support to grains and oilseed growers over market prices. The new bill will include support for dry bean and dairy producers. (El Financiero; 04/03/2006)

TRADE BETWEEN MEXICO AND CANADA INCREASES

Inside the NAFTA area, trade between Mexico and Canada has grown significantly over the last five years. Between 2000 and 2005 Mexico-Canada trade value grew by 41.3 percent, while trade with the United States grew by 9.6 percent. The Bank of Mexico's figures point out that in 2005 trade with Canada and the U.S. grew by 9.8 percent. (Source: Reforma; 04/03/2006)

SINALOA CORN FARMERS DEMAND 2,000 PESOS PER METRIC TON

Agricultural growers from the municipality of Guasave requested a corn target price of at least 2,000 pesos per metric ton. The growers threatened protests if this demand is not met. During an agricultural forum organized by the Democratic Revolution Party, the former leader of the Sinaloa State Front of Agricultural Producers, Ricardo Armenta-Beltran, said this price had been requested a year ago. "Now we are willing to do what needs to be done to receive it," he said. Armenta-Beltran stated that producers expect to meet with state authorities next week to discuss corn production costs and market prices. Corn

production in Sinaloa is expected to reach approximately 4 MMT in the 2005/06 fall winter crop cycle. (Source: El Debate; 04/04/2006)

MEXICO WILL DEFEND THE ALL AMERICAN CANAL CASE

A local newspaper reports that if the United States does not change its decision of covering the All American Canal, Mexico will lose access to 85 million cubic meters of water per year. According to Jose Luis Luege, Secretary for the Environment, federal authorities are prepared to go to international forums on this issue. Luege also asserted that this project on the Colorado River delta would impact biodiversity in the Sea of Cortes. Luege indicated that the U.S., as well as Mexico, must comply with the international agreements when border construction issues arise. (La Jornada 04/07/06)

MEXICO TO INCREASE POWDERED MILK PRODUCTION

In order to stabilize the market and control surplus milk production, the federal government has implemented the Temporary Milk Dehydration Program for 2006. Under this program, fluid milk will be dehydrated, stored, and offered on the domestic market at a later date. SAGARPA will provide 150 million pesos to purchase one million liters of fluid milk per day, starting March 15, 2006 and ending June 30, 2006. (Source: SAGARPA News Bulletin, 04/05/06)

LICONSA'S PURCHASES REACH RECORD LEVELS

During 2005, LICONSA (Government of Mexico Milk Purchasing Agency) purchased 279.2 million liters of milk from small and medium sized producers. This is an unprecedented figure in the company's history, surpassing initial expectations by about 40 percent. Purchases in 2006 are anticipated to be even higher, given the expected acquisition of 300 million liters through the 48 collection centers located within Mexico. (Source: LICONSA, 03/30)

NOTICEABLE INCREASE IN DEMAND OF NUTRITIONAL FOODS

In the last years, the demand of the so-called "functional" or "nutriceutical" foods has shown a noticeable increase in Mexico. These products are characterized by their additional health care and disease prevention functions. According to specialists from the Agricultural-related Trust Fund (FIRA), among the reason for the increase in interest is that the public is beginning to pay more attention to healthy eating and consumption of nutritional value-adding products. Another significant factor are the recent well-publicized advances in biotechnology and scientific research in nutrition. (EL ECONOMISTA, APR. 04)

FOOD SAFETY, A KEY ELEMENT IN THE TRI-LATERAL AGENDA

Members of the agricultural sector agree that the United States, Mexico and Canada should create a united front against threats to food safety and health. Jaime Yesaki, president of Mexico's National Agricultural Council (CNA), reflected upon the fact that buyers and sellers of agricultural goods are concerned that the food supply in the three countries remains safe and reliable. After participating in last week's meeting of the Security and Prosperity Partnership of North America, Yesaki commented that the private sector is in favor of the

establishment of common standards in food safety between the three countries; a measure that will complement efforts taken in plant and animal health issues and would generate a sense of confidence and security for consumers within the NAFTA community. (MONITOR, APR.03)

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